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31 October 1980

MEMORANDUM FOR THE RECORD

25X1 FROM: []
Deputy Director, Program and Budget Office

SUBJECT: Comments on FY 1982 NFIB Inflation Paper

25X1 1. A draft of the FY 1982 Inflation Estimate to be considered at the 4 November NFIB meeting was distributed to the various Program Managers and to Mike Berta (NSC) and Arnold Donahue (OMB) for comments. The general reaction was excellent and the suggestions received were incorporated into our revised paper. [] and company did a fine job.

2. Specific comments are summarized below:

25X1 NSC: Mike Berta had some suggested word changes to tighten the narrative in order to avoid any quibbling where the narrative is not clearly documented by supporting data. Mike's suggestions were good and were incorporated in the revised draft.

25X1 CCP: [] concurred in the suggested approach, confirmed that the CCP data presented agrees with what they have budgeted and offered a couple of editorial changes which we made.

25X1 NRP: [] endorsed the data presented for the NRP and offered some revised wording to better explain how their estimate was made. We incorporated the suggested wording changes.

25X1 GDIP: [] had serious problems with our approach and opined that our paper was ridiculous and that the GDIP inflation of 8.7 percent is substantially understated. She suggested that a 10.9 percent GDIP figure would be more appropriate but admitted that she lacked any real data to support that figure. In follow-up discussions she agreed to develop some GDIP inflation data and forward it for our consideration. The crux of the GDIP argument is that they have changed the way they budgeted for inflation and in fact have substantial FY 1982 catch-up costs to correct past deficiencies. [] is preparing a short memorandum outlining the GDIP arguments in more detail. 25X1

25X1 CIAP: [] said that our paper was an excellent treatment and that the explanation of CIA inflation calculations is fair and accurate.

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State/INR: Bill Deary concurred with the paper and agreed that the 9.1 percent inflation rate is correct for their budget.

DOE: Pat Donahue indicated that he had discussed the paper with Dr. Iredell and the Energy Comptroller people and that they are prepared to defend the 13.1 percent inflation rate for their program.

FBI: Jim Ohlsen said the paper was fine and that the 9.1 percent estimate for FBI is correct.

Treasury: Arthur Long accepted the paper as written.

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3. Overall, the reactions to the paper were good and I believe that the various Program Managers are supportive of our attempt to develop better inflation indices for intelligence programs. We should probably consider a meeting by mid-November to get them started on developing inflation market baskets for next year.

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